

Frequently Asked Questions on the VW Zero-Emission Investment Plan

Why is Volkswagen investing \$800 million in California?

In September 2015, VW admitted to the California Air Resources Board (CARB) and the U.S. Environmental Protection Agency that it used undisclosed software to cheat on vehicle certification tests for its diesel passenger cars sold between 2009 and 2016.

This cheating software—called a “defeat device”—shut down part of the vehicle emissions control system during regular on-road driving, but turned the system back on when the vehicle was undergoing emissions testing, so the car could pass government emissions tests.

The “dieselgate” case resulted in VW paying out more than \$20 billion dollars in legal settlements that include penalties and funds for mitigating excess emissions and other mitigation. Together, all of these settlements will address and mitigate the environmental harm caused by VW’s actions and, separately, penalize the company for its wrongdoing.

As part of the mitigation, separate from the penalty, in the settlement, the company must invest \$2 billion in infrastructure, public outreach and education, and access programs for zero-emission vehicles (ZEVs) over a 10-year period. \$800 million of the \$2 billion is in California and the remaining \$1.2 billion is in the rest of the nation.

California is receiving such a large portion of the investment for several reasons: the largest number of affected cars was in California, and CARB technicians also discovered the defeat device. In addition, California has the most developed ZEV market and infrastructure in the country.

What does the court require in the ZEV Investment Plan (ZIP)?

VW, through a subsidiary called Electrify America, must invest \$800 million in California over the next 10 years. This will be achieved by investing in projects Electrify America chooses that are also approved by the state in a Zero-Emission Vehicle Investment Plan (ZIP or Plan) that Electrify America submits to the State for each of four 30-month time periods. In each 30-month period, Electrify America must spend \$200 million dollars. Electrify America can only spend money on certain types of projects, as laid out in the settlement. These projects include ZEV infrastructure (such as charging stations); awareness and education (such as TV ads and ride-and-drives); and access to zero-emission vehicles, which will include a Green City project (see below for more on the

Green City requirement). Electrify America's projects must promote and advance the use and availability of zero-emission vehicles in the state.

CARB has the authority to approve or reject the investment plan in part or entirely, but it can only reject parts of the whole Plan that do not meet the terms of the settlement agreement.

In addition, all public outreach must be brand-neutral. In other words, it must serve the ZEV market as a whole, not just VW products.

Also, the investment must be spread around the state. It cannot be made in just one or a few parts of the California.

Finally, any ZEV infrastructure (chargers, etc.) must be able to charge any manufacturer's electric vehicle.

Has the legislature provided input on this plan?

Yes, the Legislature gave CARB input that CARB used, consistent with the settlement agreement, to provide Electrify America feedback on the development of the Plan. Also, in June, the Legislature passed a law (SB 92) that lays out several requirements, including that the Board approve or disapprove each Plan at a public meeting, that each Plan be posted for public comment before it is approved, and that CARB strive to ensure that at least 35 percent of the investments benefit the state's disadvantaged communities. SB 92 also requires Electrify America to report periodically to CARB on its progress, and for CARB, in turn, to report annually to the Legislature on the progress of the Plan's implementation.

What's actually included in the ZIP?

In its first ZIP, Electrify America proposes to spend \$120 million dollars on about 350 neighborhood charging stations and 50 network fast charging stations. The community chargers will be deployed in six metropolitan areas: Los Angeles, Sacramento, San Francisco, San Diego, San Jose and Fresno. The network stations will be deployed across the entire state, from border to border.

The company will also spend \$20 million on a multi-media, multi-stage ZEV Awareness Program.

In addition, Electrify America proposes spending \$44 million on various ZEV access projects in its first "Green City," which it proposes to be Sacramento.

All parts of the ZIP are included in a draft Plan and draft Supplement submitted to ARB earlier this year.

Why was a supplement to the ZIP requested?

In the supplement, Electrify America has provided more detail on parts of its Plan about which CARB raised questions in a letter dated May 24, 2017.

(https://www.arb.ca.gov/msprog/vw_info/vsi/vw-zevinvest/documents/zip_supplement_request_052417.pdf)

That letter requested additional information on several aspects of the compliance of Electrify America's ZIP with the settlement agreement, including how underserved, disadvantaged and low-income, communities will benefit; transparency, accountability and coordination with the state and communities; how hydrogen will fit into the Plan; and the overall 10-year vision for the investment commitment.

What is Electrify America's 10-year vision for ZEV investment?

Electrify America will submit a separate investment plan about every 29 months, each one to cover 30 months of investments. Each plan will describe the projects Electrify America proposes to invest its money in. Electrify America must spend \$200 million on these projects in the state during the 30 months covered by each Plan.

Under the first Plan, Electrify America will start building a foundational charging network. The first Plan explains the types of chargers, and the reasoning behind their placement. Electrify America will also work with the City of Sacramento to develop the first Green City. At the same time, the company will begin building its national charging network, and California's network may connect to the national network eventually.

Under future Plans, if ARB approves them, Electrify America will put additional chargers into various metropolitan areas around the state, add new routes, reduce distance between stations, expand education, and add a second Green City in a disadvantaged community.

What benefits will disadvantaged and underserved communities see?

Electrify America's planned investments in projects that benefit disadvantaged communities are expected to be 35 percent or more of its total investment. That includes charging stations and multi-lingual community outreach. Fresno has also been added to the list of metropolitan areas where Electrify America will install community electric vehicle charging infrastructure.

In addition, \$2-3 million of the ZEV Awareness Program funds will be spent on new partnerships with entities that have access to, and credibility with, disadvantaged and low-income communities.

What are Electrify America's plans for hydrogen?

In response to a letter from CARB, Electrify America has committed to including hydrogen fuel cell electric vehicle technologies in public education and awareness campaigns; engaging in dialogue with heavy-duty hydrogen industry members to explore ongoing opportunities; and considering opportunities to install EV Chargers at hydrogen fueling stations.

What is a Green City?

The Green City investment should offer a set of ZEV initiatives that are accessible to the city inhabitants and create a green mobility habitat. These initiatives should be leveraged to offer residents better quality of life through enhanced mobility and improved air quality.

Electrify America's draft Plan designates Sacramento as the first Green City. Electrify America will put \$44 million of its first investment funding into that Green City initiative. Projects include additional infrastructure, car-sharing, and other ZEV-related projects.

Foundational work for the first Green City initiative is planned to begin in Q3 2017, including the installation of approximately 75 supporting chargers. Site development for the estimated 75 supporting chargers is planned to begin by Q1 2018, with development completed for all stations by end of Q4 2019.

The initiatives can serve as a pilot to help spur the widespread adoption of ZEVs and mobility services. In order to achieve these objectives, the Green City initiatives should be guided by a few key principles. The initiatives should be designed to be self-sustainable and scalable to other cities in California and beyond. Initiatives should also showcase innovative urban green mobility utilizing ZEV technology, improving public awareness and perception.

How will we know that Electrify America is doing what it says it will do in the ZIP?

The company will report to CARB quarterly detailing its progress (also meeting the SB 92 requirement) and post a report on the web. VW must also submit a formal written report to CARB annually explaining what it has spent on each project and giving detailed information on progress. In addition, CARB staff has had and will continue to have, regular and extensive conversations with Electrify America about how to proceed and what has been accomplished.

In these conversations, staff will be comparing what Electrify America is doing to meet the terms and goals of CARB guidance and the consent decree.

Finally, an independent auditor will review VW's project implementation and spending and report annually to CARB on its conclusions about VW's compliance.

Won't all this outreach and marketing add up to benefiting VW?

No. The outreach and marketing must be brand-neutral, meaning it is to be done to the advantage of the ZEV market as a whole.

The ZIP can be viewed here: https://www.arb.ca.gov/msprog/vw_info/vsi/vw-zevinvest/documents/vwinvestplan1_031317.pdf

The Supplement can be viewed here: https://www.arb.ca.gov/msprog/vw_info/vsi/vw-zevinvest/documents/california_zev_investment_plan_supplement_062917.pdf